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November 17, 2009

The Honorable John N. Kennedy
Department of the Treasury
900 North Third Street, 3rd Floor, State Capitol
Baton Rouge, Louisiana 70802

Dear Treasurer Kennedy:

I am writing to request that you reconsider hearing three important housing developments that are part of the state's Piggyback Program at the next Bond Commission meeting. This is vital for them to receive four percent tax credits, which are a critical portion of their financing packages. All three projects have been previously approved by the Louisiana Housing Finance Authority board and the Office of Community Development.

In total these projects represent an investment of \$28 million in housing development; \$14.2 million of the projects are funded with disaster recovery CDBG funds. Two of these developments serve unique populations, senior citizens and the homeless with mental illness. The third provides much-needed rental housing New Orleans' Lower Ninth Ward and also is a model for sustainable, energy efficient design as the first zero carbon footprint apartment building in the nation.

Over the past few months, members of the Bond Commission and other leaders have expressed concerns about the housing market in the greater New Orleans area. I share this concern and directed my staff, at the behest of the Louisiana Recovery Authority's board, to release a solicitation for an independent firm to conduct a housing market study for New Orleans and the surrounding parishes. As you know, we are contracting with the University of New Orleans to expedite this research. We appreciate the Commission's willingness to review findings on these specific projects prior to the finalization of the entire study. Unfortunately, in order to give UNO the necessary time even on just these specific projects, preliminary findings will not be complete until January 2010. These projects simply cannot wait until the study is complete in order to be approved. They risk losing their financing and leaving vulnerable populations without safe and secure housing.

To clarify, these three projects are the last three required to come before the Bond Commission for four percent tax credits. While it is possible that another Piggyback project may need to come before the Commission for a different type of financing, such as an Industrial Development Bond (IDB), at this point in time, neither my staff nor the LHFA's staff is aware of this need.

The timing of these projects is critical. As you know, CDBG funds used in the Piggyback Program provide only a portion of the financing for each project. These loans trigger investment through Low Income Housing Tax Credits and other private financing. As with all Piggyback projects, these have leveraged significant private investment in addition to the loans from the state and the corresponding tax credits. These projects must be able to secure the corresponding bonds within a relatively short time frame or risk losing their financing. Both have investors ready to close on financing, an amazing feat in this market. We are concerned a delay will cause the investors to walk away from their commitments.

In addition, the two projects that serve the homeless and the elderly do not directly compete with rentals in the general housing market. The Gulf Coast Housing Partnership project at 2535 Esplanade Avenue in New Orleans returns a blighted, vacant nursing home to commerce to create 20 Permanent Supportive Housing (PSH) units for individuals that are currently homeless and living with mental and physical disabilities.

In addition, the project will create 22 units for families and individuals living below 60 percent of the area median income (AMI). New Orleans has seen an increase in the number of homeless individuals and families since the 2005 storms. This project is critical to prevent further homelessness, is based on an international best practice for reducing homelessness and has the support of the surrounding neighborhood.

The second project is a mixed-income 70-unit rental development for seniors older than 55. The project is part of a much broader development for a central blighted corridor of New Orleans right outside of the Warehouse District. The Martin Luther King rental project is part of a newly constructed 84,000 square foot mixed-use facility in Central City New Orleans that, in addition to the senior rental component, will include 20,000 square feet of commercial space for lease, including 12,000 square feet for the relocation of the New Orleans Redevelopment Authority's offices.

Each of these projects is ready for the Bond Commission to act when it next meets on November 19, 2009. The third, which will be coming to the Bond Commission by the end of this year, will not only bring one of the first rental projects back to the Lower Ninth Ward, one of the city's most devastated neighborhoods and one that still struggles to rebuild after the 2005 storms, but also it will enhance New Orleans' growing economic positioning as a center for sustainable design and building practices.

The Douglas & Andry Sustainable Apartments, in partnership with Global Green, will not only provide affordable housing in a critically blighted neighborhood, but will act as prototype for energy efficiency and sustainable building. In addition to developing better-built housing solutions for Louisiana residents, the project will create economic opportunities that will highlight the city and state as the market around the nation and world begins to require more sustainable building techniques.

While accurate information on the demand for housing is scarce, we do have reliable data on the need for these PSH projects. The Department of Health and Hospitals, which implements the PSH program, has a waiting list of 500 individuals and families in need of this type of housing solution. We have worked with our state agency partners and the U.S. Department of Housing and Urban Development to ensure that millions in vouchers and supportive services are aligned for the PSH program. However, without the actual units in which to place PSH families, the vouchers cannot be used.

In addition, my staff, along with FEMA, HUD and our state partner agencies, conducted ten housing outreach sessions in August in the New Orleans area for families in need of affordable housing. More than 2,000 families attended the events searching for assistance. The vast majority were not families in temporary housing programs that require further subsidies. Rather, they were families that recently suffered job loss or a wage reduction due to the economic downturn and most were living with relatives or friends. While we do not know precisely how many households in New Orleans are living "doubled-up," we know from the August outreach alone that thousands cannot find affordable housing at this time.

Like the other GO Zone incentives, the state designed its Piggyback program to leverage federal resources with private sector investment to not only rebuild lost housing stock but also to increase economic opportunities. It is critical to the continued recovery of the state and New Orleans that these projects are taken under consideration at your earliest convenience while UNO is conducting the market study. We are grateful for your leadership and commitment to the most impacted regions and to our entire state as we continue to recover and rebuild from the four hurricanes that have made landfall in our state during the last four years. I look forward to our continued partnership.

Sincerely,



Paul W. Rainwater
Executive Director

cc: Members of the Bond Commission



Details of the Final Developments with GO Zone Credits & CDBG Funds

- **GCHP-Esplanade, LLC** (2535 Esplanade Avenue, New Orleans), which includes \$3.3 million in CDBG funding and \$1.4 million in GO Zone tax credit equity, would rehabilitate a vacant and blighted 130-bed nursing home into 22 units of Permanent Supportive Housing and 20 units of affordable housing.
 - Total development cost: \$5.6 million;
 - Developed by Gulf Coast Housing Partnership, which acquired its mortgage note from the LHFA in September 2008;
 - In addition to tax credits and CDBG, the development will be financed with \$625,000 in HOME funds from the City of New Orleans and \$290,000 in FHLB-Dallas AHP.
- **GCHP-MLK, LLC** (Series A) and **GCHP-1409OCH, LLC** (Series B), which include \$8.2 million in CDBG funds and \$2.3 million in Low Income Housing Tax Credit Equity, would be the new construction of an 84,000 square foot mixed-use facility in New Orleans' Central City.
 - Total development cost is \$18.1 million, of which \$13.7 million is for the multi-family development;
 - Will produce 70 units of mixed-income rental for seniors aged 55 and up, of these units 70 percent will have affordable rents for those at or below 60 percent of the area media income, with the remainder being market rate;
 - Development includes 20,000 square feet of office and retail space, which includes 12,000 square feet for New Orleans Redevelopment Authority offices;
 - In addition to tax credits and CDBG, the development will be financed with \$500,000 in Neighborhood Stabilization Program funds, \$1.75 million in HOME funds from the City of New Orleans and a \$4.4 million New Markets Tax Credit transaction that includes a \$2 million loan from NORA.
- **Douglas & Andry Sustainable Apartments, LLC** (5413 N Peters Street, New Orleans), which includes \$2.7 million in CDBG funding and \$1.4 million in tax credit equity, is the new construction of 18 rental units, including three permanent supporting housing units, nine units of affordable housing and six market-rate apartments.
 - Total development will cost \$8.7 million;
 - Developed by Global Green USA and Gulf Coast Housing Partnership as a pilot project for net zero energy usage and sustainable building techniques, including solar panels, environmentally sustainable materials, energy efficient appliances, among other "green" features.
 - In addition to tax credits and CDBG, the development will be financed with a \$2.3 million grant from the Home Depot Foundation, a \$1.2 million loan from the owner, \$865,000 from the Louisiana Housing Trust Fund and \$180,000 in HOME funds from the City of New Orleans.